

**LODI CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JANUARY 25, 2005**

A. CALL TO ORDER / ROLL CALL

The Special City Council meeting of January 25, 2005, was called to order by Mayor Beckman at 7:02 a.m.

Present: Council Members – Hansen, Johnson, Mounce, and Mayor Beckman

Absent: Council Members – Hitchcock

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Blackston

B. REGULAR CALENDAR

B-1 “Fiscal year 2005-06 budget strategy discussion”

Finance Director Krueger noted that the numbers listed in the staff report spreadsheet entitled, “Totals by Function” (filed), were preliminary only. He explained that reorganizing the General Fund to include public safety, City Council, and Appointees would result in a net dependence upon General Fund revenues of \$19,347,700. He recommended moving Public Works, Parks & Recreation, Community Center, Internal Services, and Community Development into separate funds. The \$3 million imbalance is incorporated into the expenditure targets on the report. He stated that ways to resolve the deficit include: 1) direct revenue enhancements, 2) internal transfer enhancements, and 3) budget expenditure cuts.

Mr. Krueger stated that other general revenue includes the “in-lieu of” franchise fees for Electric Utility, Water, and Wastewater. Council adopted a policy to keep a flat dollar amount for Water and Wastewater revenue. The percentage of Water and Wastewater revenue is programmed to decrease; however, the dollar amount will remain the same. Electric Utility is programmed at 12%.

Community Development Director Bartlam posed questions to Council as to how much development related activity should be supported by the General Fund and whether fees should fully cover the cost of service. Currently, 40% of Community Development expenditures are funded with general revenues. The Planning and Building Divisions are mostly fee related. The majority of Community Improvement is General fund based; however, there are some fees associated with Code Enforcement activity.

In response to Council Member Hansen, Mr. Bartlam reported that Planning fees were last raised in 2000 and Building fees in 2003. He stated that costs are being covered with current building fees; however, Planning fees should be increased two or three times the current rate. In addition, he recommended that Community Improvement fees (through fines) be increased two or three times what is currently being charged. Ten percent of revenue in Community Improvement comes from fines or fees. Code Enforcement staff includes two officers, one clerical, and the Community Improvement Manager. He also suggested that more administrative hearings be conducted through the City Attorney's Office as opposed to the court system.

Parks & Recreation Director Goehring described a process undertaken two years ago by the City of Modesto, in which it affiliated itself with 501-3(c) organizations so it could accept donations and solicit sponsorships. He reported that the fee increases Council approved in August 2003 went into effect in January 2004. Maintenance of certain neighborhood parks, e.g. Hale Park, Candy Cane Park, etc., are funded by General Fund revenue. In January 2005, the Parks & Recreation Department implemented a three-tier fee structure. The lowest fees and first priority is given to City of Lodi residents. Tier two are those who live within the Lodi Unified School District boundary and tier three, with the lowest priority and highest rates, are all others. He reported that 25% of program participants are non-

residents. There have been no decreases in the number of registrations in sports programs or complaints about increased fees. Scholarships are available through the Boosters of Boys and Girls Sports organization and the Sports Foundation. Staff will be recommending fee increases, which are projected to raise revenues up to \$1.3 million. By doing so, the Department can cover the shortfall it had from the target budget for 2005-06 with an additional \$208,000 to redirect back into its budget. There will be recommended layoffs of some part-time personnel. Staff will be returning to Council for approval of a 20% increase in fees for sports facility rentals, which will amount to \$83,000. The City's budget policy mandates that the Parks & Recreation Department recover 35% of its costs. The actual amount recovered has been 29.7%. The new fee structure will recover 36% of the Department's costs.

In response to Council Member Johnson, Mr. Goehring reported that fee increases for adult programs have not yet been implemented. Mr. Goehring indicated that he would look into adjusting sponsorship fees as well.

In reference to internal services, Mr. Krueger stated that a reallocation process would be instituted. He explained that departments would be "charged back" utility costs and support from the Finance Department, Information Systems Division, etc. As an example of allocated costs, he noted that the Finance Department provides services to other departments for paychecks, payments to vendors, and monthly financial information. Mr. Krueger stated that the City has a complicated cost structure that he is attempting to make as simple as possible. In addition, Mr. Krueger stated that he was encouraging an entrepreneurial approach to finances within each department. He was unsure whether, for example, in public safety departments he might show a cost and then take it back out in the form of a correction. He referred to this as "transitional reporting." He conjectured that annually the amount of internal services would need to be calculated for each department and paid monthly.

Mayor Beckman voiced support for Mr. Krueger's recommendations, specifically the concept of an entrepreneurial approach.

Council Member Mounce also expressed support for Mr. Krueger's proposals. She felt that having each department accountable for the costs related to their activities would make them more responsible and efficient.

In answer to Council Member Hansen, Mr. Krueger explained that the target budget numbers do not include cuts for cost allocations of utilities or internal services. He stated that there would be a transition period.

In reply to Mayor Beckman, Mr. Krueger confirmed that, in his proposal, 77% of internal services costs would be allocated out to various departments. He explained that the majority would be allocated out to Electric Utility, Water, and Wastewater. He stated that there is a left-over portion that would be allocated out to Community Development, Police, and Fire.

Fire Chief Pretz reported that his Department has been working on a Fire Prevention Bureau fee-for-service program, which he anticipated would be brought to Council for consideration at its regularly scheduled meeting of February 16.

Verne Person, Fire Division Chief, stated that currently the Fire Department does not charge for services it provides. Engine company inspections (with the exception of apartments and motels) were discontinued 15 years ago. It is proposed that Fire and Life Safety inspections with businesses be re-implemented. As it has not been done for some time, it will be an increase in workload. If inspection violations are not rectified, it would be turned over to the Fire Prevention Bureau, at which point there would be a fee associated

with follow up re-inspections. In addition, it is proposed that through the Fire Prevention Bureau there be permits issued for automobile paint shops, fireworks, propane and gas storage, etc. A cost recovery of 75% is projected once the program is fully implemented over a two-year period.

Council Member Johnson asked, in light of current staff levels, whether the Fire Prevention fee-for-service program is an attempt to increase revenue that may or may not be meaningfully accomplished in the long term.

Division Chief Person acknowledged that it would need to be evaluated over a period of time. He stated that there is \$400,000 in potential revenue from the proposal.

MOTION / VOTE:

There was no Council action taken on this matter.

C. CLOSED SESSION

At 8:26 a.m., Mayor Beckman adjourned the Special City Council meeting to a Closed Session to discuss the following matter:

C-1 Actual litigation: Government Code §54956.9(a); one case; People of the State of California; and the City of Lodi, California v. M & P Investments, et al.; United States District Court, Eastern District of California, Case No. CIV-S-00-2441 FCD JFM

The Closed Session adjourned at 8:38 a.m.

D. RETURN TO OPEN SESSION / DISCLOSURE OF ACTION

At 8:38 a.m., Mayor Beckman reconvened the Special City Council meeting, and City Attorney Schwabauer announced that Council approved a \$1 million settlement with Oddfellows.

E. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 8:38 a.m.

ATTEST:

Susan J. Blackston
City Clerk